

GENERAL AGREEMENT ON TARIFFS AND TRADE

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EUROPEAN COMMUNITY COMMUNICATION ON A NEW ROUND

I attach herewith, for the information of Contracting Parties, a communication by the European Community regarding the possible subject matter of a new round of multilateral trade negotiations.

Although the Community's position has already been expressed fully in recent discussions in the GATT, this written communication is made, in a spirit of good will, as a contribution to the acceleration of the preparatory process leading to a possible new round of multilateral trade negotiations.

The Community expects that, on the basis of the communication and others, the Council of Representatives will be in a position to decide, at its meeting on 17/18 July, to respond positively to the Community's proposal to call a meeting of senior officials, before the end of September, to discuss the subject matter and modalities of a new round of multilateral trade negotiations.

In this context I would confirm that, in the Community's view, the holding of such a meeting should in no way prejudge a decision by contracting parties to launch a new round nor should it commit any participant at the meeting to take part in such a new round.

Trân Van-Thinh
8 July 1985

PART I

1. The debate on a New Round of multilateral trade negotiations has reached the point where the principle of such negotiations is now widely supported. The purpose of the present document is to set out how the Community views at this stage the substance and modalities of these negotiations, both as regards certain broad considerations that are relevant and also particular themes which the Community would wish to be addressed.

2. In its approach to future negotiations, which was already set out in the Declaration of 19 March of the Council of Ministers, the Community is guided by the following considerations:

- (a) Such negotiations, in order to be successful, must enable all Contracting Parties to benefit. A balanced package of topics should therefore be drawn up in a manner which allows all Contracting Parties, developed and developing, to arrive at a better balance of rights and obligations and to find mutual advantages for themselves. The interest of developing countries is fully understood and deserves urgent attention in future negotiations. But this cannot be the only objective. All proposals should be seriously examined. Changing patterns of trade have been evident for some years and the GATT, if it is to remain relevant in the future, must be ready to consider new topics for negotiation, such as trade in services, the commercial policy implications of intellectual property in general, and perhaps other items, depending on their merits. Whatever may finally be agreed on the contents of negotiations, the Community believes, in principle, that items should be negotiated and results implemented in parallel, and not in succession.
- (b) An evolutionary process in the respective obligations of developed and developing countries is recognized by the GATT. Part IV and the enabling clause are already shaping the rights and obligations of Contracting Parties in line with their respective situations and they must in future become a vehicle for the newly industrialized countries to make an increased contribution to the GATT consistent with their individual development, financial and trade needs.
- (c) Furthermore, there is also an imbalance of benefits between Japan and its partners, despite previous GATT rounds, and there is a pressing need for Japan to increase her imports of manufactured goods and processed agricultural products to levels comparable with those in other major developed countries. Japan's growth of imports in these areas has nowhere near matched her export growth.

- (d) It would not be credible to initiate a New Round of trade negotiations intended to liberalize world trade under the threat of new protectionist measures. Commitments have been made to effectively halt protectionism and resist protectionist pressures and progressively to relax and dismantle existing measures, particularly those taken in the recession. The Community expects these to be honoured. The good name of the GATT and reputation of Contracting Parties collectively and individually is at stake. To this end the Community has advocated further effort to pursue the 1982 GATT Work Programme.
- (e) There is a need, now widely recognised, to improve the functioning of the international monetary system as well as to increase the flow of financial and other resources to developing countries. This is not an area of direct responsibility for the GATT and solutions to imbalances whose origin lies in the monetary and financial areas cannot be found in trade negotiations. Results in the monetary and financial areas should therefore be sought in parallel with results in the trade field.

3. In 1982 Ministerial Declaration covered a range of trade issues. In addition to progress made in the context of the Work Programme, many of these issues will certainly have to be considered in future negotiations. In particular:

- Safeguards: It is evident that Contracting Parties are not satisfied with the present situation where many measures of a safeguard character are taken outside the strict parameters of Article XIX. At the same time, it is also evident that the objectives and attitudes of different Contracting Parties in the search for new solutions are in conflict, as the discussion since 1975 demonstrates beyond all possible doubt. The Community believes that any new disciplines applicable to safeguard measures must reflect the realities of the situation, and thus be responsive to the evolving patterns of international trade.
- Agriculture: As regards negotiations on agriculture, the Community confirms its readiness to work towards improvements within the existing framework of the rules and disciplines in GATT covering all measures affecting trade in agricultural products, both as to imports and as to exports, taking full account of the specific characteristics and problems in agriculture. In the Community's view, agreement on such improvements should be sought within the body specially established to that effect, that is the Committee on Trade in Agriculture.

The Community is determined that the fundamental objectives and mechanisms, both internal and external, of the Common Agricultural Policy shall not be placed in question.

- Quantitative Restrictions and Other Non-Tariff Measures: The Community has worked towards genuine and balanced progress in the elimination and liberalisation of QRs and other NTMs under the 1982 GATT Work Programme. Some positive results have been achieved, particularly in the area of QRs, but more needs to be done on the basis of a balanced effort. Given the plethora of other NTMs, whose economic impact may well be greater than QRs, it would seem important that these questions should be addressed during future negotiations as an interconnected problem. There should also be opportunities for collective progress in improving access for products, including tropical products.
- Counterfeit goods: This matter is already under consideration within the GATT, but progress has so far been limited. Given the growing dimensions of trade in counterfeit goods, and the serious economic damage caused by such practices, it is important to pursue efforts within the GATT to reach an agreed basis for tackling this major problem.

It has become apparent that counterfeit is part of a wider problem involving other intellectual property issues with commercial policy implications which deserve consideration.

- Textiles: The Community's preliminary views have been outlined already and a formal Community position will be conveyed at the time of the meeting of the GATT Textiles Committee very shortly. The Community is aware of the necessity of working towards further improvement in market access benefitting especially developing countries.
- Dispute settlement: The rules and procedures for dispute settlement in GATT, which were previously unwritten, have been extensively codified in recent years, both in the 1979 Decision adopted by the Contracting Parties and by the agreement reached by Ministers in 1982. Serious trade disputes have, however, continued to arise and it has been difficult to find satisfactory solutions; but this has been less the result of procedural problems than of disagreements on substantial grounds. There are divergences of view among Contracting Parties about the way in which panels should do their work and what authority their recommendations should have. The Community considers that the resolution of disputes can best be achieved if conclusions are arrived at by a consensus in the Council; the procedures are least successful when used to tackle problems which ought to be a matter for negotiation. The Community is ready to explore how further improvements of a practical nature can be found.

- Tariffs: In 1982 the Contracting Parties decided to give prompt attention to the problem of tariff escalation and, further, agreed that wide acceptance of the Harmonised System, adopted by many countries in the Customs Co-operation Council, would facilitate world trade. On this latter point, the Community's preparations to introduce this new system are advanced and it intends to open negotiations under Article XXVIII without delay. The Community considers that tariff negotiations in the New Round should, in addition, concentrate on tariff peaks and on the extent and level of bindings accepted by all Contracting Parties - an area in which a greater balance of obligations is desirable.

- Trade in Services: Current difficulties in trade policy are rooted in lack of growth in the world economy, which encourages protectionism and reduces the pace of structural adjustment. Liberalisation of trade in services represents a potential source of new growth in the world economy which could create an economic climate from which all trading partners would benefit, directly or indirectly. In many countries a restructuration of the economy is underway, and this has contributed to the increasing importance of the service sector in developed countries and has increased the importance of the manufacturing sector in developing countries. Continued structural adjustment will be facilitated if international trade in services continues to expand rapidly.

Negotiations on services should take place in the framework of the GATT. This would revitalise the GATT, whose objectives and experience are best suited to facilitate the expansion of international trade in services. The General Agreement as it stands, however, cannot simply be extended to this area: the objective should be to develop a framework of rules appropriate to trade in services, drawing on GATT principles where there is agreement that they are relevant.

As has been the case for trade in goods, negotiations on trade in services should in any case be a step-by-step process over time: this seems the most likely to yield positive results.

The list of negotiating topics mentioned above is not necessarily exhaustive and other matters will no doubt be raised. The Community is prepared to consider other issues, especially those agreed upon in the Ministerial Declaration of 1982.

PART II

Reactions to the Statements of India, Singapore,
Hong Kong, Turkey and Korea

The Community has welcomed the statement made by India interpreting the views of a number of less-developed contracting parties (L/5818). With its message of readiness to make a proposal for a New Round of multilateral trade negotiations, this readiness is understandably qualified by a determination to ensure that such a New Round would yield results which were to the benefit of less-developed contracting parties. It is in this context and in response to the statements made by Singapore (on behalf of five ASEAN countries in membership of GATT), Hong Kong, Turkey and Korea, that the Community wishes to confirm, as requested, in writing, the preliminary reactions given in the GATT Council of Representatives on 5 June 1985. It is the Community's intention thereby to contribute to an enhanced dialogue between Contracting Parties regarding the subject matter of and the modalities for a New Round. Where lack of convergence remains, this can best be dealt with by setting in train the preparatory process for negotiation.

1. Confidence-building and the 1982 Work Programme (paragraph 2 of L/5818)

Less developed contracting parties are not alone when they perceive the need for confidence-building measures to restore credibility to the multilateral trading system; the Community shares this perception. Some improvement in market access for developing countries would be helpful. On the other hand, it is questionable whether the preservation of the system can in fact be undertaken as a separate exercise, distinct from and as a pre-requisite for new negotiations: indeed, preservation on its own can only lead to stagnation.

The Community is already actively participating in the implementation of the Work Programme, agrees that this process must be purposefully continued, but considers that it now appears likely that problems which are clearly arising in this process can only be resolved by negotiation.

2. New themes (paragraph 3 of L/5818)

There is a suggestion that developed contracting parties are neglecting the so-called "traditional" areas of GATT in favour of "new themes". Failure by the GATT, however, to tackle the crucial issues relevant to economic adjustment in the future, and concentration on legalistic niceties of the past, will condemn it to increasing irrelevance and ultimate obsolescence. For the Community, there can be no question but that the GATT must continue to negotiate solutions in traditional areas so that the rules and practices of the GATT can be strengthened and made more responsive to changing situations in international trade. The GATT must

evolve in order to survive. Therefore adequate attention must also be given to new areas so that the GATT is in a position to adapt to the realities of world trade in the future.

3. Interdependence (paragraph 4 of L/5818)

The Community shares the view that increased access for LDC exports to developed country markets must be an important goal in new negotiations if LDCs are to expand their capacity to absorb higher levels of imports from developed countries. It is not, however, the unique goal of the multilateral trading system and insistence on it to the exclusion of others, risks creating a situation where each partner waits in vain for others to make the first move. A key objective must remain the mutually beneficial expansion of world trade.

4. Imbalances in the GATT (paragraph 5 of L/5818)

Less-developed contracting parties consider that an "asymmetry" has arisen in trade relations between developed and developing countries. The Community supports the objectives of reducing such asymmetry, but considers that different elements enter into this concept (imbalance in obligations of Contracting Parties as well as non-observance of GATT rules). This needs therefore to be clarified. A New Round of multilateral trade negotiations seems to be the appropriate and necessary way to achieve a better balance of rights and obligations for all Contracting Parties.

5. Aims for a New Round (paragraph 6 of L/5818)

It is precisely because of these deep-rooted imbalances and fears for the future of the system, that the Community and other contracting parties have supported the idea of a New Round of multilateral trade negotiations. The Community agrees that there is a need for greater clarity regarding the objectives and agenda for such a New Round. The preceding part of this document is intended to constitute the Community's contribution to such an exercise which must of necessity be pursued on the basis of a dialogue between policymakers of the different contracting parties. It is already clear, however, that a position regarding an agenda for a New Round which fails to take account either of the clearly-expressed interests of individual contracting parties or of the evolution of world trade will hardly be conducive to strengthening the multilateral trading system. It is time now to try to seek convergence on the subject matter and modalities of a New Round. The Community's proposal for a GATT meeting at senior official level before the end of September is the best way of achieving this.

6. Subject matter for a New Round (paragraph 7 of L/5818)

The Community takes this to be preliminary proposal by certain less-developed contracting parties regarding the agenda of a New Round, aspects of which are expanded in paragraph 8. Such a proposal constitutes

a useful basis for dialogue and the Community recognizes that these traditional items should be included in a balanced agenda for a New Round. It would however not be appropriate to single out any particular item for preferred treatment over other items, particularly at the present stage. Since individual priorities will inevitably differ attempts to agree on them will merely hamper progress towards negotiation as well as the outcome of a New Round.

While the Community is ready to discuss the "effective protection and enforcement of the rights of developing countries", the concept of "quantification" appears at first sight to be unrealistic. The Community urges that the developing countries take advantage of the proposed high level meeting to explain what they have in mind.

A balanced approach requires a positive and constructive dialogue which should be begun without delay.

7. Specific issues (paragraph 8 of L/5818)

These specific proposals merit serious consideration. The Community cannot subscribe however to the concept of placing prior conditions on the launching of a New Round (except that an adequate consensus for such a round be attained), since such a concept cannot but open a Pandora's box by encouraging others to place their own contradictory prior conditions, rendering progress impossible. It is clear that any substantive progress in some of the areas listed in Section B is not feasible before launching a New Round. Nonetheless, the Community approaches the negotiations necessary to make progress in the areas mentioned in this paragraph with a readiness to explore all constructive ideas.

The Community shares the view of less-developed contracting parties that the credibility of a New Round will depend on a reaffirmation of standstill and rollback commitments, and the effort towards trade liberalisation which that implies.

The Community's preliminary views on how to approach the various issues in Section B have been set out in the first part of its submission.

The concept of differential and more favourable treatment for less-developed contracting parties is of fundamental importance. The Community in no way questions this concept, as it is set out in part IV and enabling clause; but it should not lead to sclerosis of the system. There is thus need to discuss the most appropriate way to ensure a dynamic implementation of these provisions along the lines indicated in paragraph 2 (a) and (b) in the preceding part of this document.

8. Development, trade, money and finance (paragraph 9 of L/5818)

An important question is raised by less-developed contracting parties regarding the linkage between development, trade, money and finance. The

Community wholeheartedly endorses the perception that results in the monetary and financial areas should be sought in the appropriate fora in parallel with results in the trade field, in particular with a view to making the international monetary system more stable and more effective.

9. Conclusion

The Community is strongly in favour of a New Round of multilateral trade negotiations. This will offer the most appropriate framework for a global review of trade policy options which must be addressed if the dangers confronting the multilateral trading system are to be averted. Only in this way can the GATT service the needs of a changing trading environment and provide an appropriate framework for the trading system of the future. In such negotiations each Contracting Party will set its own priorities and will need to find its own advantages.

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The Community similarly welcomes the statements made by Singapore (on behalf of the five ASEAN countries which are Contracting Parties), Hong Kong, Turkey and Korea.

The Community shares much of the thinking contained in these statements, notably as regards the fulfilment of commitments to standstill and rollback; it considers that work under the 1982 GATT Work Programme should be pursued to the point of its fullest possible implementation; it urges pursuit of differential and more favourable treatment for LDCs along the lines set out in the preceding part of this document (paragraph 2 (a) and (b)). The Community recognises that topics of particular interest to individual Contracting Parties, including those cited in the ASEAN and Hong Kong statements should all be adequately dealt with in future negotiations.